

Am. T. Greenleaf
with the respects of
the Author.
FURTHER REFLECTIONS

UPON THE

STATE OF THE CURRENCY

IN THE

UNITED STATES.

BY C. F. ADAMS.

BOSTON:

PUBLISHED BY WILLIAM D. TICKNOR,

Corner of Washington and School Streets.

1837.

332

Ad 17f

MARDEN AND KIMBALL, PRINTERS,
3 School Street.

FURTHER REFLECTIONS.

27 Apr 09 M.D.

THE favor which the reflections printed in the month of February last met with among those few persons to whose judgment they were submitted, has encouraged the author to venture a few more. The crisis in our currency then pointed out has happened, but its effects have not passed away and appear not likely very soon to pass away. And there are symptoms in the public feeling upon the subject of so very ambiguous, I might say, of such a two-fold character, as very reasonably to keep up the anxiety which the original event awakened. Perhaps it may be the mere whispering of vanity which prompts me to add anything to the very able discussions carried on during the late session of Congress; of this, my readers will be the best judges. But of one thing, I feel confident, that I will contribute the proper disposition—a disposition not to court the benefit of party support from any side whatsoever, nor to irritate the feelings of one human individual unnecessarily to the full expression of what I hold to be the truth. Perhaps there is no subject of such deep and abiding interest to the prosperity of a nation, upon which it is equally important to avoid prepossessions or prejudices; none where the indulgence of the passions works so much injury to the judgment. One obstacle to the success of Political Economy as a science and consequent attention by practical men to its injunctions, is found in the difficulty of attaining a position elevated enough to look over the whole surface of action. Hence a danger of mistaking the relative importance of events, of giving to an exception the character of a rule, and of making a partial view weigh as much as if it was a general one. It can only be by a slow philosophical process of induction, requiring patience, moderation, and the application of many

minds, thinking facts over in the way peculiar to each, that general rules may be gradually established for safe future guidance. Each contribution, however small in itself, may thus go in the end to form something which by its solidity shall prove of permanent benefit to the community at large.

On the fourth of March last, the late President in his valedictory address congratulated the public upon the astonishing prosperity of the country; and so far as the present writer had an opportunity to observe, none, even of his most bitter opponents pretended then to contradict him. Yet as if to show in figures of light the fallacy of his judgment, on that very day the bubble, which he took for prosperity, broke. On that day happened at New-Orleans the first great commercial bankruptcy, the precursor of the general suspension of specie payments which took place in May. The operations of our banking system had reached their condition of the utmost tension, and the cords then began to snap. The inducing cause was the re-call of capital borrowed from Europe. It may be recollected in my former reflections that the extraordinary advance in prices which gave such a spring to speculating enterprise for a year or two was attempted to be traced to the enlargement of the metallic basis in the country by unnatural means. We were not only borrowing largely of banks already existing, but were borrowing from Europe the specie to make new banks from which we were again to borrow. Thus a stupendous edifice of paper credit was erecting which the merest breath of a doubt on the other side of the Atlantic, acting as a recall of money lent, had the effect of demolishing.

In tracing the immediate suspension of specie payments to the recall of foreign credit, however, it is not my intention to give to it so much of prominence as a general cause of our present condition as others have done. When the fictitious valuation of our great staples of production upon which so much reliance had been placed, as an offset to our debt abroad gave way, a sudden and unexpected requisition arose, not merely to pay debts about to be due, but to provide coin for some which had been supposed already paid. The suddenness of the demand came like the last drop upon the full cup; but it must be recollected that that drop did little towards filling it. The cup was already full. The foreign demand might have been paid without

much sacrifice if it had not come upon the immense debt already created at home through unbounded domestic speculation. That was and is at the bottom of the wretched condition we are now in. The debt now due to the banks for which the resources of the country are liable, falls little short of \$500,000,000. This is perfectly well understood to be but partially based upon property of truly negotiable value. The rest is the offspring of the gigantic speculating enterprise of the last two years, acting upon a fictitious scale of prices — and the payment of the foreign creditors so far from facilitating a settlement of this, appears to my judgment likely, by removing at least a portion of the only true basis for our expanded currency, in gold and silver, to accelerate the rapidity of the downfall.

The secret, if secret it may be called, of our present trouble, is the debt at home — aggravated by a smaller, but more pressing debt abroad. This debt is due, at home principally though not entirely to the banks — which is not yet in any considerable part of it arranged; abroad, to the American houses and European manufacturers, — and this, as based on more of substantial value, is in process of partial liquidation.

There are numbers of persons who will cavil at this explanation, for they have been in the habit of ascribing exclusively to the agency of President Jackson what may after all be quite as fairly charged to their own imprudence and short sight. The atmosphere of party scorches everything within its reach, and most naturally those who imagine they suffer by its influence. Perhaps I may be in grievous error; but to me General Jackson appears highly responsible, *not* for the present state of things, inasmuch as in this trading country it is always more or less likely to happen, but for the defenceless condition into which the government of the Union, intrusted to him for very different ends, has been thrown by it. It was the voluntary withdrawal of the *beneficial* influence of the national power over the currency which threw away all control over private and corporate cupidity, for which he must answer. He selected his own depositories of the public money under circumstances of great personal responsibility to the country, and is to be charged not merely with their simple breach of trust in not returning that money, but with their failure in keeping the currency in as healthy a state as the institution which preceded them in performing that duty had

done. Further than this, I do not perceive any fault. The community might and probably would have over-traded at this period under any circumstances, but it might have done so without inflicting so paralyzing a blow upon the government or making it so hard to devise a resource.

To an impartial eye, the defect of the late administration must appear to have been over-confidence—and the department in which most injury has resulted from it, has been in the management of the public monies, where, it may not unreasonably be suspected, was the greatest absence of materials for calm, practical judgment. Even the good principles upon which the President was disposed to rest (and I am free to confess I think he had some) lost much of their value in the mode of their application. A unity of system to give to those principles relative as well as positive consistency was utterly wanting. Single measures were introduced calculated upon a plan very different from that upon which the government was generally acting, hence incongruous and unreasonable in their practical working; and novelties adopted without reflection upon the adequateness of the means relied upon for execution. Thus instead of remedying the evils of our currency they were aggravated—and a sort of spasmodic, irregular movement communicated the very opposite to healthy action. Now it was a turn of pain, then great relaxation, now a cramp and then a fever, now a convulsion and then complete prostration.

Admitting this description to be true, the source of the evil at present afflicting us yet remains untouched. After every allowance that can be made for the violent interference of the President from the day the national bank was denounced, down to that of issuing the specie circular, the heart of the sore is not probed, *the undue extension of the banking system of the States*, for which he can be held but very partially responsible.

It is difficult now to touch this point without giving rise to misconception as well as inflicting pain. But the present writer is not aware of any object to be gained or lost by himself in any quarter which should prevent him at the present crisis from speaking the truth. He is not one of those who in their over-earnest pursuit of a good principle, forget the injury that may grow out of its adoption. Nor does he imagine it necessary in discussing the mode of correcting the evils of a system, to direct an exterminating

hand against the system itself. He is a firm believer in the great advantages of the credit system as a practical and a thoroughly republican mode of advancing the fortunes of honest and enterprising; but poor men, and through them, the public; but he sees also its disadvantages and the absolute necessity which exists, that the nation should hold in its hand a corrective. Otherwise, imprudent individuals will always have it in their power, as they now have done, to involve and to distress the community.

It is never too late to expose an error, even when circumstances may prevent our immediately profiting by it. The banks now hold rights by their charters which it may not be expedient to question; but the terms upon which they acquired them form a fair subject for consideration. The impression seems to have been general that the profits of banking yield a legitimate subject for legislative distribution to benefit individuals or companies, as well as for taxation to procure revenue. The condition of the currency is thus made a point of secondary importance to that of procuring means to support the expenses of the State. What shape this revenue may assume, whether an annual tax upon the capital authorized as in Massachusetts, a contribution to a common safety-fund as in New-York, or a direct bonus as in Pennsylvania and some other States, is immaterial. It is respectfully submitted whether the principle of the grant is not wrong — first, because it is granting a right to make a profit out of the people by furnishing them a currency which cannot be limited to individuals merely for their own advantage without infringing upon the sound principles of republicanism — secondly, because it is setting that right up to sale. The practical difficulties which grow out of these errors may be briefly stated thus. Every association of individuals claiming to possess the requisite funds, who choose to apply for a charter to bank must have their application granted, or if refused, they are not possessed of the same privileges enjoyed by those of their fellow-citizens whose request has been acceded to, and they have a right to complain. The consequence is bad either way. On one side, popular uneasiness — on the other, excessive banking. But this objection does not compare in point of force with another. When the right of banking is set up to sale, every new proposition to make a bank presents in the tax an inducement to the Legislature to grant it, which precludes the exercise of any sound

judgment upon the general nature and effect of the application. Yet admit for once that the privilege of making a currency for the public is a fair subject for bargain and sale, and that public is at once at the mercy of every set of adventurers who are able, by furnishing the necessary means, to demand a charter; nor can it have much right to complain if they make their contract, thus purchased, conduce to their private benefit by an indemnifying return for their outlay rather than to the general good. The State must remain content with a simply literal fulfillment of the conditions it has thought fit to require.

There may be some persons who will regard these positions as radical, and tending rather to injure than do good. To them I can only say that I have no design to work up my opinions into political hobbies, nor to aid any particular set of men not deserving the public confidence to gain it. But after the most careful and deliberate examination in my power to give to a subject, I can find no sound conclusion other than this. That the right to incorporate does exist in the Legislatures of the States, but that it is one of the most solemn trusts with which they are invested, and to be exercised not with a view to benefit some individuals in preference to others, nor to create among them a private interest *adverse* to that of the public, but with a sound discretion, on broad and generous public principles for the common advantage. In order to arrive at the proper exercise of this trust, it does not seem fitting either that money should be made the inducement to legislation, or that individuals should regard it as the great consideration. The root of the evil is selfishness — a desire to save a paltry direct tax becomes the justification for acts which directly tend to unsettle the valuation of all property — a competition in banking springs up to which a free rein is given by requiring only the payment of one per cent. per annum upon the capital stated to be employed, and the consequence soon follows that the natural and legal profits not proving sufficient to indemnify the undertakers, they are driven to extraordinary and, in the spirit though not perhaps in the letter of the law, evasive modes of compensating themselves. The money payment is regarded as the great relation with the government. A relation of a debtor towards a stern creditor, *against* whom it is perfectly fair to gain every advantage that does not carry with it legal delinquency nor an absolute forfeiture of the public esteem.

The present suggestions are, however, thrown out rather with a view to consideration for application at a future and distant period than with any idea of present use. I will pass them over and proceed to the notice of an error which has crept into the mode of conducting the business of banking, which may be said to be the main cause of our difficulties. The experience of all later times has contributed to prove that banking cannot be conducted with safety unless its loans are confined within very narrow limits. It can lend to a merchant neither the whole capital upon which he trades, nor even any considerable part of that capital; nor to any undertaker, either the capital which he may wish to put into fixtures, nor the circulating capital with which he carries on his business; still less can it advance anything upon purchases of land, or houses, or stocks which have no fixed and steady negotiable value. The limit to which a bank can safely go is to lend to traders an amount corresponding to the capital which they would otherwise be obliged to keep by them unemployed and in ready money for answering occasional demands.

These are the limits specified both by Smith and Say, two of the clearest of all the writers upon this subject, as well as by the natural course of reason. For the engagements of a bank to the community being all or nearly all of a kind for which it is always and immediately responsible, it follows that its resources never should be entirely out of reach. The probability that its creditors will not all call at once, may enable it to keep out a considerable sum beyond its capital lent in such a manner that the daily return of a part may equal the daily demand upon itself; but to prevent risk, the payments should be real on both sides. Any step which ties up the resources of a bank so as to make them unavailable to itself in fact, however it may otherwise appear, is a step towards a failure to redeem the promises it has issued to the public. If one of these institutions advances to a trader any portion of the capital upon which he undertakes distant commercial adventures, it disables itself from drawing any support from just so much of its means until those adventures shall be terminated. If it goes farther and advances any sums for the purpose of domestic speculation in land, houses, or manufactures, it does still worse, because it relies for repayment upon a far less definite probability of realization, depending certainly upon time and probably upon a variety of circumstances over

which it can exert no useful control. This will not do to redeem engagements subject to no such contingencies.

It may be deemed a little extraordinary that I should undertake to state such principles as these at this day when they have been so long established as incontestable. But without undertaking to specify any particular instance, it will be allowed to me to express my belief that three-quarters at least of the six or seven hundred banks in the United States have violated them. It cannot be imagined that the legitimate business of banking in scarcely any State is sufficient to sustain more than one-half of the institutions authorized by it, and yet if it is not, the inference is inevitable that resort has been had in lieu of it to those modes of loan already described, which must in no long period bring on bankruptcy with those who use them, and, as in the present case, involve in the catastrophe even such as do not. I would respectfully inquire of those best versed in the system of banks, whether a very large amount of the notes held by them are not of a character terminating in appearance only at fixed periods, but in reality permanent. In other words, can they rely upon a bona-fide payment of the notes due them as they come round? Do they renew them without any consciousness that a refusal to do so would hazard the debt? No matter how the thing may be worded, this is the heart of the matter, and whatever may be the qualifications to be made in regard to such debts, wherever they exist, a bank which issues upon them many promises on demand to the people, can never be perfectly safe. The only source to which it can look for legitimate means of redemption of its own engagements being most likely to be dried up at the very same moment when it ought to become most abundant.

Is it unfair to assume that the inability to obtain payment from debtors, in consequence of a very general habit of permanent credits in the shape of renewable notes was the reason why the banks suspended specie payments? I for one have always considered it so, and have for that reason been more disposed to assent to the final expediency of that proceeding. But the admission of the fact implies a great error originally committed somewhere. Perhaps the great feature of difference in the condition of Massachusetts from that in which it was in 1814, may be traced to it. For the argument of mutual dependence that has been so freely used as justification of the suspension everywhere

out of New-York, can hardly stand good where there is no at least implied admission of imprudent engagements and excessive liabilities. In August and September, 1814, all the banks of the Union, south and west of New-England, suspended; and nevertheless, on the first of January following, the banks of four States in New-England which did not suspend, held \$8,200,000, or nearly if not quite half of the specie then supposed to be in the country. Does this look like a dangerous drain?

It is very possible that there may have been some banks which having kept themselves within the line of safe business here marked out, could have continued to redeem their own promises in specie in a full reliance upon the coming in of their resources. The reason why they did not, is stated to have been a principle of mutual support and co-operation which has been adhered to as an invariable rule of conduct for all. I must in this connexion be allowed to remark that the merit of this reason is not precisely apparent, nor can I understand its safety either to those institutions adopting it or to the community. Perhaps to its establishment may be owing the defenceless position into which all the banks have fallen. The first effect is to put the course of those skillfully and prudently conducted entirely at the mercy of those differently managed — the second, to hold out to the public a false and deceptive notion of the equal soundness of good and bad. If the debtors of a bank pay it not in specie nor in their own bills, but in those of another bank in the same or a different town, this does not strengthen that bank; it merely transfers a debt from one set of people to another. So if the creditors of the same bank are paid at its counter, not with specie or with its own notes, but with the notes of some other bank, they receive nothing but the evidence of a new debt. The first manifestation of the bad state of things in Boston in this respect, took place long before the formal suspension of specie payments. Large creditors of the banks, yes, I must add, of those which profess to be the most solid and respectable, when they presented checks to be paid in coin, instead of being met with that promptness which should distinguish safely conducted institutions, were paid in part and put off for the rest with checks upon balances due from other banks in the street. Thus a good-natured gentlemen who wished for eight or ten thousand dollars which he ought to have had at a moment's notice, has spent half a morning in running about

from one place to another to get balances due by one and another institution which ought to have been settled between themselves. In a place where twenty or thirty distinct institutions professing to pay specie exist, a case could be supposed by which a creditor might be kept going a whole day and get nothing, always supposing he was amiable enough to consent to it. Yet there is no truth more clear in money matters that a delay of payment is *prima facie* evidence either of unwillingness or inability, and sometimes of both. Neither should ever be chargeable in the slightest degree against a bank. The first element of banking being credit resulting from the public confidence, it cannot go on where room is given by hesitation for doubt. Therefore the measures of reform which will be loudly called for whenever a resumption of specie payments is attempted, in order to place the banks, not where they did stand last year, but where they ought to stand always, are short credits and a rigid exaction of balances among themselves, not by paper payment but in gold and silver.

With regard to the particular measure of suspending specie payment, it is not my disposition to make it the ground of severe censure. Although it does pre-suppose a most imprudent and excessive expansion which, in the reflections published prior to the event, I sufficiently explained and foretold the consequence of, yet this once overlooked, it was justified by its urgent necessity. It would have done the public no good if the banks had persisted in pressing their debtors to a universal confession of bankruptcy, and it must have done them harm by the discredit which would have fallen in consequence upon the mass of notes in circulation, the goodness of which is commonly considered to depend in a great degree upon the solvency of those debtors. Yet after all, the merit or demerit of the measure will in the judgment of the world depend far more upon the series of steps taken since, than upon the abstract question of right. If it shall appear that the imprudence which in the first instance led to the great loans and over-issues, has been and is continued, or that measures of restriction are not taken as rapidly as the nature of the case admits, in order to return to a sound and healthy condition, then will the public opinion settle down in the belief that individual and not general considerations impelled the banks, and the consequence will ultimately be a general withdrawal of confidence. It is here that

those institutions really sound and honestly conducted have an opportunity to show themselves decidedly supporting the right. Upon them devolves the heavy responsibility of warning the community of their danger in time, as well as the corresponding blame, if any weakness of nerve or timid spirit of association shall lead them into even indirectly countenancing wrong. Practically, the currency has been long irredeemable in specie. This is owing to an unhealthy, dropsical state of the banking system. Now is the time to cure it — *not* by blind denunciation in the radical spirit of the day, nor by flashy general invective, but by pointing out to those who will regard their reputation as worth cherishing a plain path of duty, which is, to work back as soon as possible to the true principles of banking — *shortened credits and a rigid settlement of balances in coin.*

But the great question is how to do so? Silver and gold have ceased to be held by the banks as coin and will not become so until they return to the fulfillment of their duty. When will this be?

In the reflections formerly submitted, it may be recollected by those who read them that I concluded by expressing the conviction that no effectual remedy could be found for the fluctuations we are now enduring until some leading statesman should be willing to attach his name and fortunes to an attempt to recover for the people of the United States represented in the national government the right distinctly asserted in the Constitution, but accidentally lost in practice, of regulating the value of money. That the suspension of specie payments by the State banks has had such extensively bad effects upon the resources of the people in the national treasury, as well as out of it, is fairly chargeable to the loss of that right. Surely a large majority of us need not now any reasoning to be convinced that the right of selecting local institutions as depositories for the public money is quite as susceptible of abuse for party purposes by the administration, if so minded, as any power that is conferred — and moreover, that a choice of these, which are neither responsible to each other nor to the national power for their acts, cannot and do not furnish the necessary means which the people viewed as one community ought to possess as well to defend the whole from imposition as to protect the parts from the consequences of their imprudent acts. The nation is sup-

posed collectively to possess that sort of reactive vigor which may remedy a general evil, when it has got beyond the power of cure residing in the States. But at this moment it is bankrupt immediately upon the bankruptcy of those institutions with which its funds are deposited : and inasmuch as these neither derive their existence nor continuance from its gift, it has no rights of correction, coercion or punishment which it does not share alike with the most powerless creditor in the community.

Now is this the true end of republican government ? Mr. Jefferson appears, it is true, to have supposed that inasmuch as government was made to oppress and disturb mankind, the less there was of it the better. Perhaps the assumed hypothesis might be admitted if retained within those limits to which Mr. Jefferson was in the habit of looking for his historical illustrations. In the sovereignties of the old world, there are many elements which may be considered as adverse to the best interests of the great mass of the people, and promotive of selfish and individual objects at their expense. But here in the United States, where the people rule undisputed, what object is more important to them than the control of the currency — in other words, the right of preventing the depreciation of money or its undue fluctuations in value ? The poorest individual in the land, who gets perhaps only his dollar now and then, has as deep an interest in preventing that dollar from losing a part or the whole of its power to feed and clothe him, as the man who owns his millions. Now to maintain that there is no corrective for this evil, or only a corrective which must sooner or later be admitted by all to be entirely inadequate, has always appeared to me an insult to our good-sense as a people. Government with us is the people acting through representatives for its own benefit. Our compact is the surrender by individuals of a part of their natural rights in order to vest them in the mass for the common protection and the common benefit. We found ourselves weak when merely confederated States, because we had no national funds to pay such debts as we were obliged to contract for the common benefit ; and this was one cause why we made a Constitution by which we made sure of them. Nobody now denies that money is raised, nor that people are employed to raise it. How then can it be maintained that the same power which raises the money through agents of its own appointment, cannot,

after it is raised, make a good place in which to keep it? Must it depend upon agents selected by others, over whom it has little authority and no control? I cannot so read the rights of the people. The danger of confiding too much to men upon whom the power of governing is for a time conferred, I can perfectly understand; but this enjoins rather the necessity of discriminating between the honesty and dishonesty of individuals, than that of withdrawing the ability of protecting themselves. If the people derive no benefit from a constitution of government, why did they deliberately make one? why carry it on at so great an expense? why not revert to a savage state and rely upon Lynch law for redress of every injury? If, on the other hand, the government was framed to do good, and if the citizens have flourished under it beyond all former examples, why is it at this late hour to be crippled of its ability to do good in a vital part? Why deny to ourselves an advantage which we ought to enjoy?

The people who made the Constitution did not make an absurdity.

Whatever may be thought of this argument under different circumstances, I am aware that its force will be resisted on account of the direction it manifestly takes. The system of banking in the States has grown up, and the national government suffered the period to pass when it might have checked its progress. The States were prohibited from making paper money; but they got round the restriction by doing that through deputies they could not do in their own persons. No matter who was to blame; the mischief—if mischief it is—is done; and no reformer of this day will have much success in a plan of entire eradication. The States make banks which the nation cannot directly control. Shall the money of the nation be intrusted to them? Certainly not; because experience has twice shewn they cannot keep it safe. But the people as one nation can organize a system which it can control; and by engrafting upon it a bank, that system can control the State banks. Shall this be done? That is the question. As one member of the community I say yes; because it is the only legitimate way of getting back the right of regulating the currency which does belong and ought to belong to the people, and by them should be intrusted to their representatives to use for their advantage.

I admit that it is possible to organize a system of col-

lecting the revenue which may keep the national funds tolerably safe without exercising much control over the currency, and this appears to be the idea formed by the present administration as well as the party which sustains it. It may be advisable for persons in power to soothe the ears of the people made most unwarrantably jealous of the name of a national bank, and to call this a separation of bank and State. It certainly will not be ill for the people to give it in its present form without the deliberate sanction of legislation by their representatives, an opportunity to be tried by experience. We may find that, after all, it makes only two kinds of currency, one of which the national government receives, and the other we receive. We may find that after all we have only got a national bank in another shape, of which the officers of our government selected by us for very different purposes are the managers, capable of doing us a good deal of harm, and but very little good. If a majority of us are frightened at the sound of a national bank, let us call this something else, and let us try whatever is deemed the best. Nothing can be done in our country well that is not sanctioned by the people. The collection of revenue in specie is attended with difficulties so manifest, that the inevitable tendency of things will be to a substitution of a system of bills and drafts, the negotiation of which will as I said before, make a banking system. But how good or how bad a one cannot be shown, for the reason that the experiment has not been fully tried. The deposit bank system was much relied upon before it received its practical test. It is now abandoned by the persons who adopted it. If it is the will of the majority, let this new plan be tested too. Should it succeed, I have not party feeling enough of any sort to prevent my rejoicing that the people will be released from their present suffering. Should it on the contrary, as I incline to think it must, fail of the great object, the helping us out of our trouble, then we may be ready to make something better in the shape of an effective national bank which shall have a firmer foundation than can at present be hoped from the unsettled state of public opinion.

It had been my intention to avail myself of the right belonging to every citizen of examining in detail the objections to the sub-treasury plan. But I abstain for two reasons — the first, that the principal points have been very ably discussed in the speeches made at the late session of

Congress — the other, because the expression of popular opinion since has been of a kind to render its adoption extremely improbable. Whatever might have been the advantages of that system, it does not appear to be proved that either in cheapness, in efficiency or in strict compliance with the spirit of our system of government, does it come up to the old plan of a national bank. In that there were two principles which I hold of inestimable value. The first that the interest of the people should be engrafted upon the interest of individuals instead of relying simply upon their sense of duty — the second, that the power of those men intrusted for the time with the management of the executive government should be balanced by the influence of men not under its dictation. The former principle was thought, and if we judge by experience justly thought, to insure the good management of the people's money — the latter to prevent the danger of misusé of the executive power in the distribution of treasury favors. Now, I would ask, where is the compensation in the new plan for the loss of these fine features? What guarantee have we in the character of individual office-holders holding their power at the sole pleasure of the Executive, of the safety of the public money? What is their salary in comparison with the use of it. And even admitting that a sense of moral obligation would prove superior to the interest lying so strongly the other way, where is the security from an overruling party discrimination of banking favors, thus framing an electioneering system of the worst and most disgraceful kind?

The September message of President Van Buren appears to me at least, to notice these objections without answering them, and to rest upon the possibility that the danger from them is exaggerated rather than upon a confidence that it is without foundation. Perhaps its most remarkable passage is the parallel drawn between the state of the United States and that of Great Britain. When the difference is set forth, it is singular that the causes should not be also. The pecuniary affairs of that nation have not been deranged by the suspension of banks and bankers, because the government has not frittered away its control over the currency by a series of experimental expedients to avoid being intrusted with the performance of one of its legitimate duties; whereas in America we have put ourselves precisely in the predicament which England

avoided. The consequence has been that in the one country the bank brought the imprudent and over-speculating portion of the community to their senses before they could inflict a deadly wound upon the national character; while in these United States, no imprudent speculator among us was placed in a more helpless and ridiculous position by his extravagance than the general government itself was by the suspension of local banks. And to this day, and probably for years to come, we shall be debating solemnly whether the people have the power to help themselves.

It appears to me to be the great error of the administration that it starts with the negative of the proposition. The interest of the whole people of this Union in a mass as well as individually is to have a sound and good currency. To insure this, uniform legislation is indispensable; and yet uniform legislation can never be expected from twenty-six States divided by local interests and influenced by selfish considerations. To say then, as President Van Buren says, that the government of the nation can do no more than collect its revenue in specie, and that all other regulation of the currency must be left to the States, is equivalent to no more nor less than this, that the people never can have again a uniform currency. This abstraction of government created only to benefit the people, from the interests of the people, is a novelty in republican history. If the President can see with composure every man in the nation submitting to suffer this evil, which he maintains to be irremediable, and lifts up his eyes to Heaven and prays that they may get out of it through ways which neither can nor will get them out, and notwithstanding this, he feels himself bound hand and foot from aiding them — all this only shows that the President has very quiet nerves, but it will never convince the sufferers that he judges right. But when he goes a step further and puts in use the power with which he was intrusted for very different purposes, merely to secure to the agents of the people's will those advantages of a good currency which the people themselves ought to enjoy, he not only insults their understanding, but taxes their patience. The argument, if argument it be called, that "to provide by law that the government will only receive its duties in gold and silver is not to confer on it any peculiar privilege; but merely to place it on an equality with the citizen by reserving to it

a right reserved to him by the Constitution," is specious only. To be sure no peculiar privilege is conferred by such a law; but the peculiar privilege which makes the government able to enforce the law by demanding payment in legal currency through the medium of a legal officer is the privilege of **POWER**. And this the citizen does not enjoy to any similar extent. Supposing every man at this moment to resort to his right and to demand payment of debts due him in the legal currency concurrently with the government, what would be the practical result? The government to be sure might come in by virtue of its authority in the land, and because it has officers in pay to sue forfeited bonds, as well as to sell forthwith the goods which it keeps as security, for the most they will fetch, and thus it would be satisfied; but what becomes of the citizen with his equal right who has no goods under lock and key, and no resource but an expensive suit at law? What is the law to a debtor who has not the coin, and by the very act of government in monopolizing it, cannot get it? What is the privilege of a citizen to demand payment in the legal currency, when it is clear that he cannot use it without hazarding more than he can gain by it? It is a sense of common interest which renders the people at this time willing to sacrifice their privilege until the moment arrives when it can again be exercised with safety. But it seems this sense of common interest is not shared by the government, the creature of the people. No, the maxim is solemnly put forth by the chief magistrate — every one for himself — the government will take care of its own concerns; it will by means of its power take the first sweep at all the gold and silver, and after that the people may do the same for what is left, if they can — and if they cannot, why it is bad; but it cannot be helped. So that, as in the fable, by taking the lion's share of the prey, it leaves the miserable remnant to be gnawed by the rest of the animals to save them from the horrors of starvation. Is not this the point of the story? But government was not constituted to destroy but to protect men — it was not ordained among us to create an interest adverse to that of the people — it was not established to pay executive agents in coin and all other debts in money of less value. The people have too much judgment to commit such gross inconsistencies against common-sense as the affirmative of those propositions would imply.

It is not intended however to sustain the expediency of acknowledging an irredeemable paper currency by any argument here advanced. The difficulty with the President's system is, that he forces that currency upon the community in order to save himself. He acknowledges no community of interest: rather than this, far better would it be that the government should take any paper which satisfies the people. What is the government but its creature? And what is the President doing but mocking us, when he throws us back in a matter of vital interest upon rights the concession of a part of which made the very office he fills, a far less important feature of the general system than the one he is sacrificing. The thing that is called for is a practical cure for a disordered currency which shall do the least mischief and the most good. It must be a cure and no quackery. The Constitution was the result of a sense of the evils of the disease, and was designed to remedy that among others which had previously afflicted the body politic. To propose a treasury system with implied banking powers which is not adequate to the only purpose which can benefit the community, the furnishing a currency of tolerably uniform value is applying to the people only the torment of Tantalus:

a labris sitiens fugientia captat
Flumina. Quid rides? mutato nomine, de te
Fabula narratur.

It has been already remarked that the present writer in his former reflections ventured to express the opinion that no return to a better state of things could be expected until some leading statesman should be willing to attach his name and fortunes to an attempt to recover for the people of the Union the control over the currency which they have lost. That this control can now be regained only through the medium of a banking institution deriving its authority from the national power, is a position to which the majority may not yet be entirely prepared to give a cordial assent, but which will force its own progress to conviction. To such an extent has the miserable cry of selfish objects to be gained prevailed, that it is perhaps unadvisable for individuals to press the point further than to state the reasoning which has convinced their minds, and leave the result to the natural good-sense of the majority. This has been done in a very moderate and statesmanlike manner by Mr. Clay,

Mr. Sergeant, and by Mr. King of Georgia, and here it may safely rest. Successful as has been the battle waged with the prosperity of the country, it is not to be credited that the same event can attend the contest with its adversity. The people have as yet experienced hardly the commencement of a thoroughly diseased state of the currency, and have listened with patience to the monstrous absurdity that it was not democratic for them to help themselves. They may yet hit upon several quack remedies before they reach the only effective one. But they will reach it in the end — and then the statesman who shall have adhered consistently to his opinions through good report and through evil report, who shall have maintained without extravagance and yet with energy, the power of the nation to take care of the people's interests, will meet with his reward in the superadded confidence of a reviving community.

But the question recurs, what is in the meantime to be done? The troubles are grievous and need a quick remedy. The President has deliberately thrown away all power and even all active sympathy with the people. A large majority of the national Senate go with him, the House of Representatives is so divided in sentiment as to render useful action impracticable; and it may well be doubted whether a majority of the voters have yet arrived at any settled conviction of the best mode of remedy. Under these circumstances there must be delay, let the suffering be what it may; delay to afford us time to consider the matter well over; delay to give opportunity to test the projects of the administration. But during this delay it is not for the States whose citizens have been so rudely thrown back upon their limited local resources to stand idle, nor to waste time in unavailing regrets. If the national government has led the way in the selfish system, it is for the various sections of the Union to follow the example so far as preservation from the greatest evils may require. New-England, which very deservedly enjoys the reputation of applying herself with concentrated energy to the improvement of any contingency, New-England must stand or fall by her own exertions in regulating her currency. She must now, as she did in 1814, save herself from the wretchedness of a depreciated and fluctuating paper money. I would that she were as happily situated as at that time to commence the effort; but she has drank too deeply of the intoxicating cup — the question is not

now of simply going on ; it is the more difficult one of going back. The cry of despair is not infrequent among us because the task is so hard.

The solemn topic for consideration is, whether a resumption of specie payments shall be attempted on the part of New-England even if she is forced to do it alone, or whether it will be advisable to go on as at present under the hope of a general coincidence in that measure from other quarters at some future moment.

In entering upon this branch of the subject, it may be advisable to premise by stating again my entire indisposition to wound the feelings of a single individual, and equally my indisposition to sacrifice what I believe to be true to any idea of false delicacy towards men. There has occasionally been manifested an inclination to sink the notice of matters which are of very serious importance to the community by an appeal, not to argument, but to the characters of individuals whose situations are supposed to involve them in the possibility of an implied censure. It is not too much to say that those gentlemen could not have a worse defence. They are to a certain extent public functionaries responsible to the laws, and they must hold up their heads and plead in direct terms guilty or not guilty, when put upon trial, without a word in bar to the jurisdiction. If they show themselves innocent, of course they will be honored as they always have been ; if the reverse, their previous good character ought not to be allowed to shield them. It is not in my province to try them ; but it is my right as a citizen respectfully to discuss acts for which they are responsible, without offence but without fear, and this right I propose to exercise.

The resumption of specie payments may be considered in two lights — the first, the moral one — the second, the practical and expedient one.

In regard to the first, I cannot suppose that much difference of opinion will be entertained among well-informed persons. Every banking institution must decide for itself how far it is strictly right to take advantage of a contract without fulfilling the terms of it, or how far in other words it should issue promises it is not able, or if able it is unwilling to redeem. A bank is not morally responsible ; but it cannot be doubted that an individual under the same circumstances would be held to rigid accountability. The people who are the holders of these promises stand toward

the banks in the light of a creditor giving to his debtor an extension of time within which to release himself from an obligation already incurred, and not to extend the sphere of those obligations. Now so long as it may be necessary to make advantageous arrangements for returning, the people ought to wait, but when they are told that they must wait even longer, that though the ability to meet all engagements undoubtedly exists in certain quarters, yet it is not considered advisable to do so until the same ability is manifested in other quarters where it is not likely soon to happen, it will not be thought unnatural that their faith should be shaken in the solidity of professions however honestly made at the time, and their suspicions aroused of the possibility of some serious catastrophe. Logic may refine away much, but it cannot destroy the plain maxim of common-sense and downright honesty that where one man or body of men promise to pay, if they can pay, they ought to pay — they ought not to make their will to pay depend upon the course of others less able or less willing than themselves.

This is the moral view of the matter suggested for the consideration of the public, without insisting exclusively upon its result. In this world I am perfectly aware that it is not always practicable to attain the highest standard of moral excellence in active life, although I should never regard this as an excuse for failing to attempt it. I come to the topic of expediency where I know I shall be met with this reasoning. The banks in any one place cannot resume unless sustained by some tolerably general concert; for the attempt would be attended by the necessity of entirely stopping business. It would be impossible to issue a note which would not immediately return to drain them of their specie, to supply which a call would be necessary upon their debtors too severe for their ability. The consequence would only be a repetition of the hazard, to avoid which was the cause of the original step. The enterprise of a community cannot suffer a perfect stagnation. The decline of prices under the forced sales which would follow a stoppage of the usual bank accommodation would involve extensive ruin. How much better then to wait until the banks generally have put themselves in so favorable a position, that the foreign debt being once paid off and thus stopping one outlet for specie, they may by united

efforts resume payment without heavy sacrifice to the public.

My answer is —

Rusticus expectat dum defluat amnis ; at ille
Labitur et labetur in omne volubilis ævum.

If the people are to wait until the foreign debt is paid off while the banks continue to do the very act which most keeps that debt alive, they may as well bid adieu to friendly tones and assume the sterner ones of command. For the banks to abstain from action in expectation of a reduction of the price of exchange, is like putting a horse, not in the shafts, but behind a cart, and looking to see the whole thing move. If there was any point that I flatter myself upon having clearly proved in my former reflections, it was this : that the excess of bank paper issues during the two years prior to the suspension had been the cause of the enormous advance of prices which gave an apparent profit to every article of barter whether of foreign or domestic production. This scale of prices of last year has been only sustained until this time by the suspension of specie payments, and, inasmuch as it is in a great measure artificial, *must sooner or later come down*. If it is attempted to continue it by a paper currency, one moment beyond the confidence of the community in a return to specie payments continues, it will force its way into notice by a depreciation of that paper. The only wise course for the banks is to call in their circulation, to diminish the paper medium until no more remains with the public than is needed for the use of the ordinary demand of business, and then foreign exchange will cease to call for that specie so much more needed at home, and the bank-note will again be more nearly worth what it was before this crisis commenced — its equivalent in gold or silver. Then will be the time for them to fortify themselves gradually with specie.

I know very well the motives which have conduced to the continuance of an excessive paper circulating medium — I know that the fall of prices will ruin many individuals whose only hope of solvency is in the fictitious valuation they continue to give to their property. But I would ask such persons whether the experience of the last six months does not prove that a scale of prices staggering under its own weight, supported as it has been by the force of an artificial currency

is equivalent to a stagnation of business or no prices at all? The cord has already been stretched within an inch of what it will bear. If you force it more under the vain hope of realizing profit from a further advance in prices, it will snap, and involve the community as well as yourselves in ruin. And unless you can force it and realize that further advance, what is the prospect of your solvency worth?

While then I would not be understood as disregarding the objections to an immediate return to specie payments on the part of the banks of New-England, I would hold up to them in the strongest manner the absolute necessity of setting down in earnest to the work of preparation for it, graduating it as much as they please. This has not been done in the manner which was expected. There is grievous deficiency somewhere, the causes of which the public ought to know. Look for example at the returns of the Boston banks which regulate the currency of New-England. Where in them is to be found the evidence of a preparation to return to specie payments? It is now six months since the solemn declaration to the public that although then unable to redeem their promises to the people, they would proceed at once to put themselves in a condition to do so, and yet what is now their relative situation?

The following is believed to be a fair statement of the variation in the course of the banks since the 11th of May, the day previous to the suspension, when

The capital returned was, of 33 banks,	\$20,700,000
Upon which the loans were	32,108,924
The circulation was	1,632,299
Deposites	3,868,361

Making due on demand	\$5,500,660
----------------------	-------------

To meet which in specie there was the sum of \$976,570, or one dollar to about $5\frac{63}{100}$ of debt.

On the 29th of July it must be perceived that the number of banks had diminished to 31, and the capital had fallen to

	\$20,400,000
But the loan of the 31 banks now exceeded that of the whole number in May, having risen to	33,777,307
The circulation of the 31 banks also exceeded that of the 33 banks, in May, being	1,966,897
The deposits had risen to	6,206,166

Making due on demand	8,173,063
----------------------	-----------

To meet which the specie had fallen to \$946,532, or one dollar to $8\frac{63}{100}$ of debt.

On the twenty-fifth of November, the capital remained the same — 20,400,000

The loans had diminished from July to \$32,460,803

The circulation had mounted

up to 2,385,306

The deposits 6,097,733

\$8,483,039

to meet which the specie had risen to \$1,080,073, or about one dollar to $7\frac{85}{100}$ of debt.

It is much to be regretted that the information furnished is not more precise as to the balances which may be due to other banks not in the association, nor to how far the specie returned may be liable to the claims of country banks which are called upon to make a deposit in Boston as security for the redemption of their notes. Admitting however for a moment that these considerations would make no material variation in the return, the fact yet remains palpably demonstrated that the circulation of thirty-one banks in November exceeded, by the sum of \$753,007, that of thirty-three banks in May last, two of which had been discredited in the interval, whose circulation if deducted would increase the amount of issue of the rest probably almost to \$1,000,000.

I am sensible that this mode of summing up the condition of all the Boston banks, although the one by which they appear willing to abide, is not fair to many of them. The fact has been understood to be that several of the oldest and most prudently managed institutions have been calling in their notes until a very small amount remains in general circulation. This is praiseworthy so far as it goes — but it does not appear to reach quite far enough. The discounts continue, and the loans remain the same. Very reasonable objections may also be raised against the mode of discount adopted. If I understand rightly, the notes of such banks as continue to issue, which are received in the daily transactions of a bank that does not issue, instead of being accumulated to form a balance and returned for settlement, are regularly re-issued to the community, either to accommodate borrowers or pay depositors. This operation in fact gives credit to and promotes the circulation of the notes of those banks which continue to extend their liabilities, when the primary object of the association as announced to the public immediately after the suspension was to keep each within its proper limits. What is found

to be the consequence? Notwithstanding the narrow limits within which one class of banks has deemed it right to restrict its circulation, the returns show a regular and steady increase on the part of another class more than proportionate, so that not merely the vacuum occasioned by their withdrawal from competition has been filled, but an enormous addition has been made to the already redundant circulation of May. Thus the banks which declared their inability to pay in specie in May notes amounting to \$1,632,299, are now after a deduction for a considerable amount positively discredited since, liable, with no great addition to their specie resources, to a sum in amount equal to \$2,385, 306.

Is this, I would respectfully ask, is this like preparing to resume specie payments?

A great deal has been said in justification of this enlargement, about the increase of the average deposite, and the wide field for additional safe circulation opened by the demand for small bills in New-York. Perhaps there is no feature in our present condition more calculated to occasion anxiety and even alarm, than the facility with which reasons of the most doubtful soundness are received and circulated as unquestionable truth. It does not appear to have occurred to many persons, that the position of the banks towards the community is at all changed by the event of the 12th of May. Yet what greater change can happen to an individual merchant than a failure to redeem his note? For my part, I cannot recognize the right of any institution to look to further sources of profit out of the public, until it returns to the exact performance of those conditions which was required as the consideration for the grant of the right to make any profit at all. Nor can I understand the propriety of enlarging, under any excuse of inducement whatever, liabilities which by being too large already brought on the catastrophe. Profit is not the right idea to associate with bankruptcy. When the banks in October last undertook to issue half a million of dollars worth of new promises in Boston in the shape of dividends to their stockholders, I confess it only required the evidence of evil intent to make it appear in my eyes a legal fraud. I am aware that the intent so far from being of this kind was really good, that the distress of numerous small proprietors whom privations in many other quarters made particularly dependent upon their bank stock was the moving cause, and I respect the feeling which prompted it, even

when I feel compelled to regret that it prevailed. The true rule was justice to the creditor who can never be secure of his claim until the debtor is prepared to meet it by full payment. Until that day comes then, the entire resources of the bank should be devoted to the fortifying it against every demand, instead of taking their course into the hands of the partners in the concern. Yet notwithstanding the palpable truth of this position, it is a little singular that not a hint has been given of it in any of the numerous discussions of the subject that have taken place. The Legislature of New-York by prohibiting at the outset the payment of such dividends has put the case upon a footing there which at least to my judgment seems worthy of imitation here and everywhere.

So with regard to the increase of the deposites, the true reasoning would seem to be that instead of venturing to claim profits upon the use of them as in ordinary times and enlarging the extent of debt upon them, every exertion should be directed to facilitate the immediate discharge of that obligation. Here lies the weakest point of the banking system. It is believed that in Boston for many years past the returns will show the banks to have been at the mercy of a few heavy depositors who by acting together at any one time could, to say the least of it, have excessively embarrassed them. This ought to be remedied in future. Whenever it shall become the duty of the banks to resume specie payments, they will probably be called upon to supply the vacuum occasioned by the removal of the small change from daily circulation. This necessity will be supplied through the depositors, who will in consequence become somewhat burdensome in their drain. So far therefore from relying upon the great average amount of the present deposit as a basis of operations, it would seem to be the wiser policy to court by every means its diminution. Perhaps the increase of the deposites may be ascribed in part to the want of confidence of the public in the general note circulation. It is nothing more than a change of one species of debt in the shape of promissory notes payable on demand by various banks at different places, remote perhaps from the dwelling of the immediate holder, into another species of debt in the shape of a credit in account current with one bank situated almost at his door. Of course, in a time of uneasiness about money matters and credit, every individual who takes many notes

of the goodness of which he can know little, will be glad to convert them into a charge against a particular institution with which he deals and in the soundness of which he feels particular confidence. But this will not go to show that after the present experience of all banks he might not take the first chance he could of getting a little specie to hoard. To shield themselves against this danger many banks have compelled depositors to withdraw or to sign a written pledge that they will receive payment in notes of similar description to those which they may put in. How this may aid any particular bank, must depend altogether upon the extent to which it may have recalled its notes ; but it is plain it can have no general good effect. Because it leads only to a reconversion of the credit in account current into notes payable on demand, which must be forthcoming at the call and will be immediately presented where they belong for redemption. The bank which has most notes out will therefore suffer the most from the rule, and that which has fewest, the least ; but the amount to be redeemed remains just the same. Perhaps the most objectionable point in the arrangement is, that the hazard of loss from any notes which may turn out irredeemable is shifted from the shoulders of the banks upon those of their depositors. This is a hazard which a bank if it receives the notes at all ought to take, because it has a power of preventing undue and imprudent issues in its neighbors which private individuals have not. The very act of reception gives the notes a currency they might not otherwise obtain ; while the knowledge that any loss upon them will be largely shared by creditors of the bank, tends to relax its vigilance in guarding against it. Indeed it has been matter of surprise to me that depositors who have much to lose, should have universally consented to an agreement operating so unequally upon them.

I come to the other reason assigned for the extended circulation, the demand for the small notes in New-York. I do not at present incline to admit the reasoning which supposes this likely either to be a very profitable or safe sort of circulation, provided always any intention is sincerely held of returning to specie payments. If the banks of New-York do resume or if they do not, the probability is that the law to prohibit their issue of small bills will be repealed. Should this be the case, of course they will take measures either to drive out foreign notes by receiving

them and forming heavy balances to be settled by our banks as they best can ; or, by not receiving them, to suffer them soon to fall into comparative discredit with their own which they would receive. Thus, at any given moment within the pleasure of another State, a large amount of paper may be thrown back upon a currency already redundant ; the immediate effect of which must be a downward step in the scale of depreciation, and another remove from the probability of a resumption of specie payments.

The general inference to be drawn from the present condition of the association is, that they have failed in the main object for which it was formed — the regulation of the issues of each other. And having failed in this, there are objections to its continuance on other accounts, which render it an imperative duty on the part of the people either to require its dissolution or a different mode of communicating its information. At present the banks conceal, so far from disclosing their individual condition to the public eye. It is due to the bill-holders as well as to the institutions which are understood to have restricted their business, that this should be distinctly exposed. I believe a tremendous responsibility rests upon the shoulders of the prudent banks. Let them not be deterred by fear of offence, the outcry of the interested, or by good-natured deference to timid counsels, from showing that the public confidence placed in them last May was well deserved. They are now arrayed in common cause against the people — they are covering under their mantle imprudences which ought to be seen. The circulation of the Boston banks has increased one-third since they declared themselves unable to redeem it. Where does that third come from ? As it is now, the public is led to suppose that each of the thirty-one banks has contributed its portion, which is notoriously a mistake. But if ten of the banks have been drawing in, say for example, three hundred thousand dollars worth of bills, and yet the other twenty have been issuing not merely enough to make up this three hundred thousand dollars, but seven hundred and fifty thousand more, it is high time that the people should know the names of the ten which have drawn in, as well as of the twenty which have been putting out, and should see their returns regularly separated from each other.

But it has been said that the country banks have generally reduced their business, so that, although the imme-

diat amount of city bank paper has increased, the general condition of the circulation in New-England remains much the same — perhaps is somewhat reduced. I am inclined to think, from the very partial information in my power to procure, that the country banks have with a few exceptions been more faithful in the duty of preparing themselves for resumption than their neighbors in this city, and that they now hold balances against many of them. This has been in part owing to the pressure of the association upon them and in part to the necessity of supplying some additional guarantee beyond what their small capital and resources furnish to the public, for the redemption of their notes. But the tide has turned even with the country banks: and with the example of the city banks before them, some of them have relaxed in their praiseworthy efforts to strengthen themselves. They see that the only practical effect of the association is to narrow down their circulation and increase that of some members of its own body. Now to the public it is perfectly immaterial who issues the notes, so long as the average remains about the same as it was last year. The great point is to ascertain the quarter from which they come, for the purpose of keeping the community on its guard against imprudent issues. Publicity is essential both for the city and country banks; and it is reasonable to hope that, among the other regulations made necessary by the present contingency, the Legislature at its next session will adopt one to secure this.

In the remarks which I have felt it to be my duty to make while writing upon the subject, it need hardly be repeated that I intend no personal application to any particular corporation whatsoever. It is because I am ignorant of the truth, that, with the evidence of the very inexplicit general returns of the association as the justification, I, as one of the people who hold the notes from day to day, respectfully ask that each bank should render its own account, and thus supply us with information of essential value to our property. This can be no hardship if there is no wrong. Why has it not been done? Why are the poor laborers of the community—the most interested as they are likely to be last informed—to be left in the confidence that a note is good until it has become worthless? Does not the association of banks continue to receive, and hence to hold up as absolutely sound, the paper of every

one of its members, until the very moment when absolute rottenness is proved? Take for example the Franklin bank as one case. It did not make itself unsound in one day. The process of bad banking is not so entirely covered up as to be beyond the reach of many a shrewd guess in State street, months before a catastrophe. Yet it was but the interval of a single day between the time when the notes of the Franklin bank were received at the counter of every other city bank on the same footing with its own, and the time when they were declared not receivable—hence of not one cent value to them. Where then was the opportunity for a citizen to be upon his guard? Where was the return of the bank to show that it was issuing notes and receiving none—that it was increasing its own debt and diminishing its resources? Why, it had been regularly published, but so merged in the generalities of the association, that it could no more have been discovered there than if it had been sunk at the bottom of the ocean. In the meantime, however, how many men may have lost ten, fifteen, twenty, perhaps fifty cents in the dollar of their week's earnings, to be bought up by insolvent debtors who have no other means of redeeming the evidences of gambling speculations but by spunging half of them out of the labor of an industrious community?

Professing as I do what I understand to be the conservative republican principles of the United States, equally removed from the two dangerous extremes of paper banking and of metallic currency, it is in no spirit of hostility to any of the institutions now existing that I venture to submit to the judgment of thinking men the following considerations. The hostility to property has thus far made little progress among us, and the wild onset of mad or misguided individuals upon the edifice of credit has happily met with entire defeat. But the battle has hitherto been fought upon the vantage-ground. How will it be, if honest and honorable men expose themselves even to the suspicion of winking at the breach of promises solemnly made, and in which the public put their confidence in advance? How will it be, if individuals claiming to belong to the number of conservatives yield so far to the outcry of the timid and the interested as to hazard an approach to a great pecuniary convulsion unsettling all property, which an early resort to active measures might either have

prevented, or if not, might at least have discharged them from any responsibility for it? Let me not be understood as saying that this convulsion will certainly follow the present tendency of things, — I claim no spirit of prophecy; but an irredeemable paper currency is a dreadful evil, to be likened in my mind to nothing so much as a ship afloat upon a stormy ocean without masts, rudder or compass. If she does not go upon the rocks and break to pieces, it is rather to be ascribed to the blessing of God than to any human agency in her favor. It cannot and ought not be concealed that strange and unwonted errors are becoming familiar to the minds of many among us, and that plain and homely truth which would never have been contested ten years since, now grates harshly on the ear. The suspension of specie payments, like the last cup which drowns the senses of the bacchanalian, brings on a state of lethargy, from which no sounds can wake him until the natural moment for remorse, and perhaps despair.

It has been of late the doctrine of some, that if the resumption of specie payments can only be brought back by a serious reduction of the loans made by the banks, far better would it be not to attempt it than to hazard the wide-spread ruin which must ensue to enterprising and industrious men. This is the view of those persons who, by their position near to the individuals likely to be involved, have their sympathies strongly called out in their favor. For my part, I entertain no feelings but those of great kindness and good-will to all such persons, and no one can possibly more regret the very unfortunate position in which they are placed. But if they have their rights, so has also the great body of the people, and it is neither justice nor humanity to make the latter and greater number suffer the consequences of the imprudence of the former. The great truth that needs to be understood, is, that the currency of a country will not submit to regulation at the will of man. Its laws are uniform and invariable. The utmost possible enlargement of our's while keeping its nominal value has already taken place. The prices of commodities have regulated themselves by the enlarged scale, and the merchants who hold them at the maximum cannot save themselves from loss unless they should succeed in procuring another expansion and another rise in nominal value. But this cannot be done excepting at the cost of a depreciation of the paper medium which would be no more nor less

than a tax of so many cents in the dollar according to it's rate, upon the resources of every member of the community who is obliged to use that medium, merely to enable a comparatively small number to discharge, not the real, but the full nominal amount of their liabilities. This would be the immediate consequence without reference to other and more remote ones; and yet, rather than this should take place, I hardly think a doubt could be entertained that the merchants and undertakers should be required to face the loss.

From all these premises, it may be inferred that I hold the affirmative in regard to the expediency of active and tolerably rapid preparation to return to the only sound basis for a currency, paper instantly convertible into coin. As yet nothing may be said to have been done. The loan remains the same, and the liabilities are increased far out of proportion to the increase of the specie. The time has now come to test the sincerity of the professions made in May, and to save us from permanent injury consequent upon the suspension. The foreign debt can present no bar which the action of the banks would not break down. It is reduced far below what it will be in amount if they continue to expand. No great argument is necessary to show that specie will go to Europe in quest of commodities if it is more easily to be had than anything else—and on the other hand, that more commodities will continue to be imported if their nominal price here continues to adapt itself to the enlargement of our paper currency. The true mode of operation would seem to be to equalize our prices more nearly by the level of other countries, and then we shall be under less temptation either to send them our specie or to bring back too many goods—to restore the natural relation between commodities and money which the imprudent expansion of the last two years (as I endeavored to show in my former reflections) has so much disturbed.

To effect this object, the loans of the banks must be curtailed, the circulation must be called in, the specie basis extended, and the depositors paid off or else put upon the usual and only proper footing. This process may and no doubt will affect prices—it will at first check trade—it may hazard debts now resting upon a doubtful basis—it will create distress. Every exertion should be made to ease the operation short of stopping its course. The blow

must come sooner or later, and it will be better probably for the sufferers themselves and certainly for the community that it should be sooner than later. Whenever contracts become adjusted to an irredeemable paper standard, then the return to a standard convertible into specie necessarily acts as an unjust increase of the burden upon the debtors. Now is the time to prevent the happening of this. Almost all the contracts now existing are still contracts originally based upon a metallic foundation, and therefore it is only a hardship and not an injustice to require their fulfillment. The crisis must be met at some time or other. Why not meet it at once? Trade will not revive on a sound footing by forcing paper any farther. Debts, the offspring of purely gambling speculation, cannot be paid any better by delay. Why attempt to put off the evil day if by doing so its horrors will only be aggravated twenty fold? Every citizen of ordinary good-sense understands that a great revolution in the value of most kinds of property has already taken place. The machine of credit has broken down with its own weight. You *must* go back and look after capital. The laws of currency may be modified, but they can never be inverted.

But the great argument will no doubt be that New-England cannot go alone without submitting to losses which may be avoided if due time is allowed to the banks in other parts of the country to prepare themselves for resumption, and thus a co-operation insured which would immensely facilitate the result. I should concede much to this position if I had not fears that very valuable time would be lost by the delay. There is reason to believe that some banks in almost every State will never be ready to resume specie payments because the attempt to call in would be the signal for dissolution. At the same time it cannot, and ought not to be concealed that the directors of most of the banks are heavy debtors to them, and that they are called upon to do no less than to decide in favor of a measure which certainly involves a call of payment from and perhaps ultimate bankruptcy to themselves. Now I have no intention to disparage a single gentleman of the six or seven thousand who act in this capacity in banks. I believe them all to be as honest, as faithful, as conscientious as any equal number of men that could be found in this or any other society. Yet they are men possessed of all the varieties of temperament to which human nature is

liable—they are men whose evidence in a court of law under similar influences would go very near to be invalidated—they are men from whom it is unreasonable to expect impossibilities. Some will be timid—some will be frail—some will be knavish. Now if there should be such, and they be anxious for a long and dangerous delay, is it for the honest and the honorable who have pledged their characters to the public for their sincerity, to be put back from the performance of their duty by the failure of those less able or honest than themselves?

No better illustration of the practical effect of waiting for this co-operation, to postpone action indefinitely, could be desired than the case of the late Bank Convention which has been sitting in New-York. The result of its deliberation has been nothing but profession, very sincere, I doubt not, but still profession. Now this has been the public food already seven months, and it is very naturally somewhat anxious to vary it with a little performance. The attention of the people is very closely fixed upon the mode in which for the past the promises made have been kept; they are aware that the only period when a resumption will be at all practicable, a period immediately following the diminution of the foreign debt and previous to any hope of a revival of trade, must necessarily be short, and therefore instantly improved. Now if that period is impending as appears at this time probable, and yet the banks have by delay or inaction put themselves in a condition which renders them unable at once to make use of it, then will the responsibility for the whole series of unfortunate consequences that may result from it devolve, not upon the administration, nor upon the imprudent merchants and speculators, but upon the banks themselves.

To expect that all parts of the country should be represented, and to delay action upon that account, is liable to much the same class of objections already stated—very naturally, the banks least able to resume will be the slowest to attend any meeting where that measure is likely to be pressed. Two or three States in the south and west have already authorized the suspension of their banks for two or three years for the sake of securing their debtors from the rapidity of payment absolutely essential to their resuming. Now to put the action of the ablest and best managed of our commercial communities down to the standard of those which are least, is synonymous with the inaction

of the whole — when the true mode of proceeding would seem to be to force the deficient ones up to the standard of the best.

But it is on the whole probable that if a resumption of specie payments should be decided upon, the condition of a considerable portion of the country must prevent its being generally adopted. The commercial cities in which banking is still continued in a form the nearest approach to the safe rules heretofore laid down — the commercial cities must take the lead because they still have the greatest command of their resources. With them there are many institutions which have few or no debts resting upon fictitious securities, the offspring of the speculations of last year, and which can go on to action if they will it. But they must will it with more energy than they have yet done, especially in Boston. The system of reciprocating excuses must be broken up in city and country, and between States. Each must look to itself; each must prepare to go on by itself; and then perhaps they will all be ready much sooner than if they hang off in perpetual expectation of the preparation of each other.

And when I say that the duty of the sound banks is to retrace their steps and put the currency upon the sound footing on which it ought to stand, it is by no means to be inferred that the condition in which the banks were in May last when they suspended, or for eighteen months before, is the sound footing to which I would refer. Of late, the prevailing idea seems to have been that a bank was to be held solid so long as it did not break under any one demand made upon it, and not that it was to be prepared for any general coincidence of demand, that could, within a reasonable probability, be likely to happen. So much of error appears to have crept into the views of bankers in this regard, that it may be well to specify more distinctly the objections. On the first of May 1835, two years prior to the suspension, five Boston banks with a united capital of \$2,500,000, held \$37,421 in specie with which to meet \$954,934 of immediate liabilities in the shape of notes on demand and deposits, being more than twenty five for one. These were among the weakest banks, it is true; but they were sustained by the stronger ones, or they would not have gone on a week. Take, on the other hand, five banks of the highest character, with a capital of \$4,400,000; their specie on the same day

amounted to \$120,570, and their liabilities to \$1,709,657, or more than fourteen for one. I would respectfully ask if this ought to be the condition of those banks whose character supports the currency against the imprudencies of their weaker brethren?

The consequence of this state of things has been that the best banks have at times been obliged to resort to shifts which were neither creditable to themselves nor just to the community. Very few did not resort to the expedient of requesting heavy depositors *not* to draw checks which might form claims upon them for specie balances, but rather to present them at the counter themselves there to be paid in any notes which might happen to be on hand. Would it be going too far to say that for many months previous to the declared suspension, such a thing as a specie check for any amount was procured with great difficulty and not without many trips to and fro among the various banks? Now I would request to know whether this is the kind of resumption of specie payments to which the banks look as the ultimate object of their ambition; for if it is, no great spirit of prophecy will be necessary to announce that the present course of the government will, in discrediting their agency, very effectually decide their own tendency to discredit themselves.

The restriction imposed by a national bank upon the undue extension of the local paper in the States having been removed, the immediate consequence was an apparent rise of prices and an impulse to the whole business of barter, giving value to commodities in which the United States participated as largely as individuals. The process was entirely artificial, and therefore could not last. But when it stopped, the great amount of currency which had been kept in activity became useless, and was thrown upon its sources. This has been well described under the metaphorical term of a collapse. The paper could not be redeemed and a general suspension of specie payment followed. But the government, which had before been a very large customer for the paper, determined upon a change of course by which it would ultimately withdraw itself from its use. And this is likely to form a new era in the banking system of the States. The first effect is not merely to render superfluous a large amount of currency which it formerly required to pay all its various agents, which must therefore return upon the banks, but also to

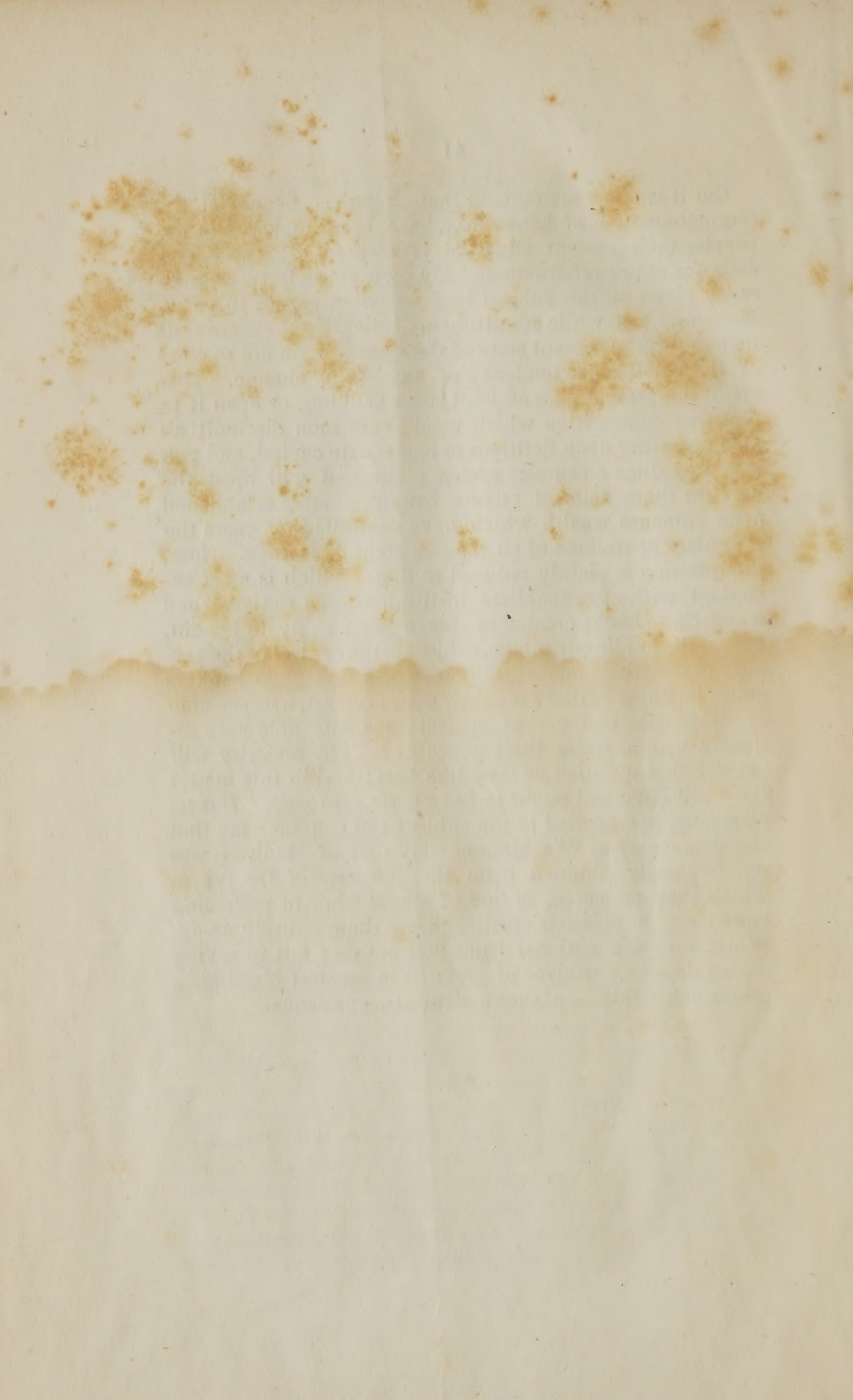
set an example of distrust by which more or less of the same paper in the hands of private citizens may be likely to be similarly affected. The injury to them is consequently inevitable in more ways than one. That the highest power of the state should proclaim that it has no confidence in the banks as safe depositories of its funds, is not perhaps so deadly a thrust as an attempt to grasp for its own separate use a large part of the limited amount of the precious metals, which is all the basis they can have to sustain themselves against the discrediting process pursued against their notes. Indeed these very notes must necessarily become the instruments by which the government will be supplied with the only medium it chooses to recognize, and the banks which issue them must always keep prepared for the drain thus likely to be entailed upon them. Hence it is with great justice that the treasury system is regarded as a measure of hostility towards them, notwithstanding the President's denial in his last message that the inference is well founded. However good his intentions may be, and I am not disposed to question them, his act implies in a manner that cannot be mistaken that they are not worthy of *his* confidence, and very dull would they be if misled in it's tendency upon the community by any amount of profession to the contrary, however sincere.

A contest now appears to impend between a pure metallic currency on the one hand, and a fluctuating inconvertible paper on the other, well calculated to render uneasy all the well-wishers to our country (and they form the greater number) who while about to be the heaviest sufferers are not involved in the action. It is somewhat curious to observe how entirely the people have been lost sight of in the whole matter. For on the one side, the democratic administration of Mr. Van Buren is not ashamed to take care of itself while surrendering them up to the tender mercies of twenty-six State sovereignties utterly incapacitated by the nature of things from acting in concert for any purpose of legislation whatsoever, much less upon so delicate a matter as a uniform currency — and on the other, the fluctuating councils of seven hundred banks, whose first object is their debtor's solvency, and whose general interest (apart from any considerations of moral duty) is unquestionably to entail upon the people an inconvertible paper, so long as they can be persuaded to use it. And we are gravely told there is no remedy under the Constitution

for all this. To be sure it was thought by the framers of it that the case was otherwise, and for forty years we enjoyed the benefit of their opinion. But it has been found to be all a mistake. The jealous vanity of State-rights is perpetually appealed to for the sake of keeping the sufferers by this novel conclusion from complaining of pain or resorting to a remedy. The giant is to be tied with threads to the ground, and a parcel of pigmies are to run about and over him, shouting in his ear that bad as his situation is, he cannot and ought not to stir a finger to help himself.

As one of the people of this Union, I thank God I was never taught in such a school of democracy. My understanding of that word is, that it means the government of the people for their own benefit, and not the benefit either of the temporary agents of their will on the one hand, or the money corporations on the other. When these last take an origin from their own act, the creation should always be traced to some general advantage they derive from it. To say that a money corporation necessarily implies hostility to the public interest, appears to me to be taking high rank among the absurd theorists of the day. It may become so by injudicious management, I admit. Banks originally were regarded in this country as public benefits. Their organization is entirely in accordance with the spirit of our institutions. The division of the stock into small sums enables persons with very small property to enjoy a share in profits which commonly belong only to the very largest; and the distribution of the loans among the enterprising class who have not been favored by an inheritance of wealth, gives them a power to wield capital not often possessed even by our wealthiest individuals. It is surely arguing rather too strongly against the capacity of the people for self-government to maintain that from the outset of our government they have not known what they were about, when, year after year and in every one of the States, their representatives have been creating banks on this associated plan. They still maintain the right to do so, and it is probably one of the last they would now be disposed to surrender. But the people in the separate States can do no more than to control those banks authorised by them as citizens of States, without insuring any uniformity of action. There is no power to control them all, unless it resides in the people of the Union as a mass — and there, I for one do believe that it does reside.

But it is often maintained that, however beneficial the original creation of banks may have been supposed to the people, their present situation is very far otherwise, and calls for entire reformation. My own views have been already given on this subject in a preceding part of these reflections. Yet, while admitting my belief that there are evils incident to the present state of the system, I am not so clear of the republican tendency of any useful change. Discredit the present plan of joint stock banking, or open it to that free competition which would very soon discredit all men operating upon fictitious or inadequate capital, and you may introduce a sounder system; but you will open the way for those colossal private banking-houses established upon immense wealth which have controlled for years the pecuniary operations of all the monarchs of Europe. Now, the question is plainly reduced to this: Which is most accordant with our republican institutions, one National and many State banks created in shares, not for private benefit, but for the public advantage, subject to the control of the people through their representatives — or a few great bankers doing business entirely for their own account, irresponsible to the people, and yet at critical moments able very seriously to embarrass their concerns? The majority will answer this question as they like best; and in this matter they will have and ought to have their own way. But no reasoning yet applied to the subject can convince me that the democracy of Washington and that of Madison was not as deeply founded upon the interests of the people which they protected, as that of others who, in professing more care, do by their practice throw them entirely away. We can say, a national bank will not do; but in saying so, we deprive ourselves of one of the greatest blessings a people can enjoy — a SOUND GENERAL CURRENCY.







3 0112 061966609